Crowe

Accounting and Financial Reporting Issues for Financial Institutions

December 2024

Smart decisions. Lasting value.™

Contents

Observations on 2024 and 2025

At long last, we are closing the chapter on the adoption of the current expected credit loss (CECL) model for all entities. This year, we deleted almost a dozen pages on CECL from this publication. The Office of the Comptroller of the Currency did the same in its 2024 "Bank Accounting Advisory Series." I couldn't resist checking on the weight loss of our piece over the past five years. The 2020 edition was 66 pages, the 2021 version was 60 pages, and the 2022 version was 45 pages. In 2023, we dropped the section on the leasing standard, so it came down to 36 pages – and for 2024, we are down to the high-20 pages. To me, we are moving in the right direction.

This year, the Financial Accounting Standards Board (FASB) continued its focus on investors. The word of 2024 is probably "disaggregation," as investors seek additional information (that is, more rows and columns). The amendments to segment disclosures, finalized in December, require disaggregation for significant expenses for public entities. As a reminder, those changes are effective Dec. 31, 2024, for calendar year-ends. The amendments for income tax disclosures require more disaggregation for all entities. And the final standard on disaggregation of income statement expenses (DISE) is of course about disaggregation for public business entities.

As we look to 2025, the board has several projects that will affect financial institutions. One of those projects is on CECL. In response to the FASB's proposal to expand the purchased credit deteriorated (PCD) model to substantially all purchased financial assets, the board received 35 comment letters. The board met twice in 2024: first, to decide how to proceed. Next, the board met to discuss scope – especially whether to exclude revolvers, which was one of three areas of common feedback. The board seems open to providing some exceptions, which is good news. We are looking forward to the board's re-deliberations and will keep you posted. Hopefully, it will be able get this across the finish line in 2025.

The FASB issued a proposal on internal-use software costs, which is certainly of broad interest given software's prevalence. The comment period is open until Jan. 27, 2025, and we will be watching to see stakeholder feedback through the comment letter process. The FASB also has two proposals on derivatives and hedging, which could increase the appetite for financial institutions to enter into these transactions. We also are interested to see how the board's discrete project on the cash flow statement for financial institutions unfolds.

Key performance indicators (KPIs) have been a topic of discussion for many years – and opinions on standardization differ. Here is your chance to weigh in. On Nov. 14, 2024, the board issued an invitation to comment on financial KPIs for business entities. The request defines a financial KPI as "a financial measure that is calculated or derived from the financial statements and/or underlying accounting records that is not presented in the GAAP financial statements." The FASB is seeking feedback, by April 30, 2025, on two foundational questions:

1. Should financial KPIs be standardized and, if so, which ones?
2. Should financial KPIs be required or permitted to be disclosed in an entity's GAAP financial statements and, if so, when and for what types of entities?

I am grateful for the contributions of my colleagues Alissa Doherty, Mark Shannon, Chris Moore, and Sean Prince.

Sydney K. Garmong
Partner, Crowe

Final FASB standards: Recognition and measurement

Induced conversions of convertible debt instruments

On Nov. 26, 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2024-04, "Debt – Debt With Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments," to clarify whether certain settlements of convertible debt instruments should be accounted for as induced conversions if certain criteria are met. Under the ASU, to account for such a settlement transaction as an induced conversion, an entity would assess the qualifying criteria as of the date the inducement offer is accepted by the holder. If the convertible debt instrument had been modified without being substantially different within one year leading up to the offer acceptance date, the entity would compare the terms provided in the inducement offer with the terms that existed one year before the offer acceptance date. The amendments do not modify the other existing criteria that must be satisfied to account for a settlement transaction as an induced conversion.

Effective dates
The amendments are effective for annual reporting periods beginning after Dec. 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted. The amendments permit an entity to apply the guidance on either a prospective or a retrospective approach.

More details can be found in the Crowe article "FASB Issues ASU on Convertible Debt Instruments."

Profits interest awards

On March 21, 2024, the FASB issued ASU 2024-01, "Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards," to provide an illustrative example comprised of four fact patterns intended to assist entities in evaluating whether a profits interest award should be accounted for as a share-based payment arrangement under Topic 718. Profits interest and similar awards are more common in private equity and commercial entities but have been observed in financial institutions (for example, phantom stock plans, stock appreciation rights).

Effective dates
For public business entities (PBEs), the amendments are effective for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2025, including interim periods within those fiscal years. Early adoption is permitted. The amendments should be applied either retrospectively to all prior periods presented in the financial statements or prospectively to awards granted or modified after the effective date.

More details can be found in the Crowe article "FASB Issues Profits Interest Awards Guidance."

Crypto assets

On Dec. 13, 2023, the FASB issued ASU 2023-08, "Intangible – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets," which requires entities to account for holdings of certain crypto assets at fair value at each reporting period with changes in fair value recorded through earnings. The amendments in the final ASU apply to assets with the following characteristics:

- Meet the definition of intangible assets under U.S. GAAP
- Do not provide the asset holder with enforceable rights to or claims on the underlying goods, services, or other assets
- Are created or reside on a distributed ledger based on blockchain or similar technology

- Are secured through cryptography
- Are fungible
- Are not created or issued by the reporting entity or its related parties

The final amendments require that an entity present crypto assets measured at fair value separately from other intangible assets on the balance sheet, with changes in fair value presented separately from other changes in intangible assets on the income statement. The final amendments also require extensive disclosure about crypto assets measured at fair value on an interim and annual basis, an annual rollforward of an entity's crypto asset holdings, and specific presentation in the statement of cash flows for cash receipts arising from crypto assets that are received as noncash consideration in the ordinary course of business and are converted nearly immediately to cash.

Effective dates

The amendments are effective for all entities for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years. The amendments require a cumulative-effect adjustment to the opening balance of retained earnings (or applicable components of equity or net assets) as of the beginning of the annual reporting period of adoption. Early adoption is permitted for interim and annual financial statements that have not yet been issued or made available for issuance. If adopting in an interim period, an entity must adopt the amendments as of the beginning of the fiscal year that includes that interim period.

More details can be found in the Crowe article "FASB Issues Final Fair Value Guidance for Crypto Assets."

Common control lease arrangements

On March 27, 2023, the FASB issued ASU 2023-01, "Leases (Topic 842) – Common Control Arrangements," to provide a practical expedient for common control leasing arrangements. The amendments allow a private company to elect to account for a common control leasing arrangement using the written terms and conditions without having to determine if those terms and conditions are legally enforceable. If the terms of the arrangement are not in writing, then the entity would apply existing guidance to determine the legally enforceable terms and conditions of the arrangement. Additionally, the amendments require leasehold improvements associated with leases between entities under common control to be amortized over the useful life of the improvements until the lessee ceases to control the use of the underlying asset through a lease, at which time the remaining value of the leasehold improvement would be accounted for as a transfer between entities under common control.

Effective dates

The ASU is effective for all entities for fiscal years beginning after Dec. 15, 2023, including interim periods within those fiscal years. Early adoption is permitted.

More details can be found in the Crowe article "FASB Amends Related-Party Lease Accounting."

Fair value measurement guidance for equity securities subject to contractual sale restrictions

On June 30, 2022, the FASB issued ASU 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions," to clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security, and therefore is not considered in measuring fair value. It also clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. Entities will be required to disclose the nature and remaining duration of the restriction, the circumstances that could cause a lapse in the restriction, and the fair value of the equity securities subject to contractual sale restrictions reflected in the balance sheet.

Effective dates
For PBEs, the amendments are effective for fiscal years beginning after Dec. 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years. Early adoption is permitted.

Hedge accounting: Portfolio layer method

On March 28, 2022, the FASB issued ASU 2022-01, "Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method," to expand the scope of assets eligible for portfolio layer method hedging to include all financial assets. The update also expands the current last-of-layer method that permits only one hedged layer to allow multiple hedged layers of a single closed portfolio. The last-of-layer method is renamed the portfolio layer method, because more than the last layer of a portfolio could be hedged. In accounting for hedge basis adjustments, the amendments require an entity to:

- Maintain basis adjustments in an existing hedge on a closed portfolio basis (that is, not allocated to individual assets)
- Immediately recognize and present the basis adjustment associated with the amount of the dedesignated layer that was breached in interest income
- Disclose the breach amount and circumstances that led to the breach
- Disclose the total amount of the basis adjustments in existing hedges as a reconciling amount if other areas of GAAP require the disaggregated disclosure of the amortized cost basis of assets included in the closed portfolio

In addition, an entity may not consider basis adjustments in an existing hedge when determining credit losses. Upon adoption, an opportunity exists for an entity to reclassify debt securities from held-to-maturity (HTM) to available-for-sale (AFS) if the entity intends to apply the portfolio layer method hedging that includes those debt securities. This decision must be made within 30 days of adoption.

Effective dates
For PBEs, the amendments are effective for fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for any entity that has adopted ASU 2017-12 for the corresponding period. If an entity adopts the amendments in an interim period, the effect of adopting the amendments related to basis adjustments should be reflected as of the beginning of the fiscal year of adoption.

Investments in tax credits

On March 29, 2023, the FASB issued ASU 2023-02, "Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a Consensus of the Emerging Issues Task Force)," to expand use of the proportional amortization method of accounting to equity investments in tax credit programs beyond those in low-income-housing tax credit programs. The ASU allows entities to elect the proportional amortization method, on a tax-credit-program-by-tax-credit-program basis, for all equity investments in tax credit programs meeting the eligibility criteria in ASC 323-740-25-1.

The ASU provides clarifications to address existing interpretive issues and prescribes specific information that entities must disclose each period.

Effective dates
The ASU is effective for periods beginning after Dec. 15, 2023, for PBEs. For all other entities, the ASU is effective for fiscal years beginning after Dec. 15, 2024. Early adoption is permitted, including early

adoption in any interim period as of the beginning of the fiscal year that includes that interim period. Entities will have the option of applying the revisions using either a modified retrospective or retrospective adoption approach.

For more detail, please read the Crowe article "FASB ASU Improves Income Tax Credit Investment Accounting."

Reference rate reform

Deferral of sunset date

ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848," was issued on Dec. 21, 2022, and effective upon issuance for all entities. The ASU extends the period of time preparers can use the reference rate reform relief guidance under ASC Topic 848 from Dec. 31, 2022, to Dec. 31, 2024, to address the fact that all London Interbank Offered Rate tenors were not discontinued as of Dec. 31, 2021.

Business combinations

Joint venture formations

On Aug. 23, 2023, the FASB issued ASU 2023-05, "Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement," to provide guidance on how a joint venture initially recognizes and measures contributions received at its formation date.

The ASU, which does not amend the definition of a joint venture, requires a joint venture to apply a new basis of accounting at its formation date by valuing the net assets contributed at fair value for both business and asset transactions. The value of the net assets in total is then allocated to individual assets and liabilities by applying Topic 805 with certain exceptions. The formation date of a joint venture is defined as the date when an entity initially meets the definition of a joint venture, which is not necessarily the date the legal entity was formed. All facts and circumstances, including assessing multiple arrangements, need to be considered when determining the formation date.

The ASU allows a joint venture to apply measurement period guidance in accordance with Subtopic 805-10, allowing the amounts recognized upon formation to be adjusted for provisional items during the measurement period not to exceed one year from the formation date.

Effective dates and transition

The ASU is effective for joint ventures with a formation date on or after Jan. 1, 2025, and is required to be applied prospectively. If adequate information is available, joint ventures with a formation date prior to Jan. 1, 2025, have an option to elect to apply the guidance retrospectively.

More details on the ASU appear in the Crowe article "FASB Finalizes ASU on Joint Venture Accounting."

Acquired revenue contracts in a business combination

The FASB issued on Oct. 28, 2021, ASU 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities From Contracts With Customers," to address diversity in practice and inconsistency related to how revenue contracts with customers acquired in a business combination are accounted for. The amendments require that the acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The ASU also provides certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination and applies to contract assets and contract liabilities from other contracts to which the provisions of Topic 606 apply.

Effective dates and transition
For PBEs, the amendments are effective for fiscal years beginning after Dec. 15, 2022, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2023, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments.

Early adoption is permitted. If early adopted in an interim period, the entity should apply the amendments 1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application, and 2) prospectively to all business combinations that occur on or after the date of initial application.

Liabilities and equity

Convertible instruments and contracts in an entity's own equity
The FASB on Aug. 5, 2020, issued ASU 2020-06, "Debt – Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity," to clarify the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments in this update reduce the number of accounting models for convertible debt instruments and convertible preferred stock by removing the cash conversion model and the beneficial conversion feature model. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Convertible instruments that continue to be subject to separation models are 1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting, and 2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. In addition, this ASU improves disclosure requirements for convertible instruments and earnings-per-share guidance. The update also simplifies application of the derivative scope exception guidance by reducing the number of conditions that must be met to avoid derivative accounting.

Effective dates
For PBEs that meet the definition of a Securities and Exchange Commission (SEC) filer (excluding smaller reporting entities), the amendments are effective for fiscal years beginning after Dec. 15, 2021, and interim periods within. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2023, and interim periods within.

Final FASB standards: Presentation and disclosure

Disaggregation for income statement expense disclosures

On Nov. 4, 2024, the FASB issued ASU 2024-03, "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses," to provide more decision-useful information about a PBE's expenses by requiring PBEs to disclose additional detail on expenses reported in income statements.

Under the ASU, PBEs will provide detailed disclosure in interim and annual periods of specified categories underlying certain expense captions. Expense categories required to be disclosed by financial institutions include, among others, employee compensation, depreciation, and amortization of intangible assets. Other expenses presented on the face of the income statement (for example, credit losses or income taxes) are not expense categories listed in the ASU and therefore do not require disaggregated disclosure. Financial institutions should refer to Example 3 for an illustrative example of a disclosure format. Institutions reporting under SEC Rule 9-04 of Regulation S-X can elect to apply a practical expedient to continue presenting salaries and employee benefits under Rule 9-04 instead of the definition under Subtopic 220-40.

Effective dates and transition

The ASU requires PBEs to apply the amendments prospectively, with an option to use retrospective application. PBEs will need to comply with the requirements beginning with financial statements for fiscal years beginning after Dec. 15, 2026, and interim periods within fiscal years beginning after Dec. 15, 2027. Early adoption is permitted.

On Dec. 18, 2024, the FASB voted to affirm the clarification to the interim effective date for this ASU to specifically include the language "and interim reporting period within annual reporting periods beginning after December 15, 2027," to clarify the date for PBEs that do not have an annual reporting period that ends on Dec. 31. The ASU will be forthcoming.

For additional information, see the Crowe article "ASU Addresses Disaggregation of Income Statement Expenses."

Income tax disclosures

On Dec. 14, 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," to provide additional transparency into an entity's income tax disclosures primarily related to the rate reconciliation and income taxes paid information.

Rate reconciliation

The final amendments require that PBEs disclose on an annual basis 1) specific categories in the rate reconciliation and 2) additional information for reconciling items meeting a certain quantitative threshold. For entities other than PBEs, disclosure of qualitative information about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and effective tax rate must be disclosed.

Income taxes paid

The final amendments require that all entities disclose on an annual basis 1) income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes, and 2) the income taxes paid (net of refunds received) disaggregated by individual jurisdictions exceeding 5% of total income taxes paid (net of refunds received).

Other matters

The final amendments also require that all entities disclose 1) income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and 2) income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign.

The amendments also eliminate certain disclosure requirements on unrecognized tax benefits for all entities and cumulative amounts of temporary differences on certain subsidiaries and corporate joint ventures.

Effective dates

The amendments are effective for PBEs for annual periods beginning after Dec. 15, 2024. For all other entities, the amendments are effective for annual periods beginning after Dec. 15, 2025. The amendments should be applied on a prospective basis, with retrospective adoption permitted. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance.

For additional information, see the Crowe article "FASB Finalizes Enhanced Income Tax Disclosure Requirements."

Segment reporting

On Nov. 27, 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which requires public entities to disclose more information about a reportable segment's significant expenses. The ASU includes the following disclosure requirements for public entities:

- Significant expense categories and amounts for each reportable segment. Significant expense categories are derived from expenses that are 1) regularly reported to an entity's chief operating decision-maker (CODM) and 2) included in a segment's reported measures of profit or loss.
- An amount for "other segment items," representing the difference between 1) segment revenue less significant segment expenses and 2) the reportable segment's profit or loss measures. A description of the composition of "other segment items" also is required.
- The title and position of the CODM and an explanation of how the CODM uses the reported measures of profit or loss to assess segment performance.
- Interim disclosure of certain segment-related disclosures that previously were required only on an annual basis.

Additionally, the ASU clarifies that entities with a single reportable segment are subject to both new and existing segment reporting requirements under Topic 280. It also clarifies that an entity is permitted to disclose multiple measures of segment profit or loss, provided that certain criteria are met.

Within the existing guidance, ASC 280-10-50-22 provides: "A public entity shall report interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segment and make decisions about resources to be allocated to the segment. In that situation, a public entity may report that segment's interest revenue net of its interest expense and disclose that it has done so." However, in ASU 2023-07, the FASB added the following: "Nonetheless, a public entity shall separately disclose interest expense if it is a significant segment expense in accordance with paragraph 280-10-50-26A." As explained in the basis for conclusion section addressing interest expense for financial operations segments, the board "decided that the amendments in this update should require that a public entity disclose gross interest expense when that amount meets the criteria in paragraph 280-10-50-26A, even if the public entity meets the conditions in paragraph 280-10-50-22 for disclosing net interest revenue for a financial operations segment" (par. BC76).

Effective dates

The amendments are effective for fiscal years beginning after Dec. 15, 2023, and interim periods within fiscal years beginning after Dec. 15, 2024, with early adoption permitted. Entities must adopt the changes to the segment reporting guidance on a retrospective basis.

For more information, see the Crowe article "FASB Issues Changes to Segment Reporting Requirements."

Disclosure improvements in response to SEC actions

On Oct. 9, 2023, the FASB issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative," incorporating 14 of the 27 disclosures referred by the SEC in Release No. 33-10532, "Disclosure Update and Simplification," which was issued Aug. 17, 2018. The changes modify the disclosure or presentation requirements of a variety of topics including statement of cash flows, accounting changes and error corrections, earnings per share, interim reporting, commitments, debt, equity, derivatives and hedging, and secured borrowing and collateral.

Effective dates

For entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment is the date on which the SEC removes that related disclosure from its rules. For all other entities, the amendments will be effective two years later. If the SEC has not removed the related disclosure from its regulations by June 30, 2027, the amendments will be removed from the Accounting Standards Codification (ASC) and not become effective for any entity.

For more information, see the Crowe article "FASB Responds to SEC Rule, Amends Disclosure Requirements."

In the FASB pipeline: Recognition and measurement

Accounting for environmental credit programs

On Dec. 17, 2024, the FASB issued a proposed ASU, "Environmental Credits and Environmental Credit Obligations (Topic 818)," to improve the financial accounting and disclosure of environmental credits and credit obligations. The proposed ASU would require the recognition of an environmental credit as an asset when it is probable that the credit will be transferred to another party in an exchange transaction or used to settle an environmental obligation. Any costs to obtain the credit would be expensed when incurred. The proposed ASU would require the recognition of an environmental credit obligation as a liability when events have occurred on or before the reporting date that result in an environmental credit obligation. The proposed ASU also contains detailed guidance on measurement, disclosure, and presentation matters related to environmental credits and environmental credit obligations.

The proposed ASU does not yet include an effective date and would be applied retrospectively through a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the annual reporting period of adoption. Early adoption would be permitted.

Comments are due April 15, 2025.

Accounting for government grants

On Nov. 19, 2024, the FASB issued a proposed ASU, "Government Grants (Topic 832): Accounting for Government Grants by Business Entities." The proposed ASU generally conforms with the guidance in International Accounting Standard 20, with some targeted improvements to establish guidance on how to recognize, measure, and present a government grant including 1) a grant related to an asset and 2) a grant related to income. Grants in the scope of the proposal include transfers of monetary assets and tangible nonmonetary assets from a government as well as forgivable loans from a government. The proposed amendments would require a consistent initial recognition threshold for all government grants as such a government grant would be initially recognized when it is probable that 1) a business entity will comply with the conditions attached to the grant and 2) the grant will be received. Disclosure about the nature of the government grant received, the accounting policies used to account for the grant, and significant terms and conditions of the grant also would be required under the proposal.

The amendments would require a business entity to apply the guidance either 1) prospectively to a government grant that either is not complete or is entered into after the effective date or 2) retrospectively. Under the prospective approach, no prior period results would be restated and there would be no cumulative-effect adjustment.

Comments are due March 31, 2025.

For more information regarding the proposed ASU, see the Crowe article, "FASB Proposes Guidance on Government Grants for Businesses."

Determining the acquirer in the acquisition of a VIE

On Oct. 30, 2024, the FASB issued a proposed ASU, "Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer of a Variable Interest Entity," to improve the requirements for identifying the accounting acquirer in a business combination and improve financial statement comparability. The proposed ASU would establish more consistent requirements for determining the accounting acquirer when a business is acquired in a transaction achieved by exchanging equity interests and more closely align the requirements for determining the accounting acquirer in the acquisition of a variable interest entity (VIE) with the existing requirements that apply to transactions not involving a VIE.

Comments were due Dec. 16, 2024.

Internal-use software guidance improvements

On Oct. 29, 2024, the FASB issued a proposed ASU, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software," to address the diversity in practice in determining when to begin capitalizing software costs. The proposed ASU would:

- Replace the current project-stage-based framework with a principles-based approach, under which entities would capitalize internal-use software costs incurred after 1) management has authorized and committed to funding the project, and 2) the "probable-to-complete" threshold is met
- Require a company to separately present cash paid for capitalized internal-use software costs as investing cash outflows in the statement of cash flows
- Eliminate current guidance specific to website development costs and incorporate accounting for these costs within Subtopic 350-40

Under this ASU, the FASB expects more software development costs could be expensed as incurred under the proposed framework for cloud computing arrangements and software-as-a-service arrangements. This could increase consistency with costs incurred to develop external-use software accounted for under Subtopic 985-20, under which fewer costs are typically capitalized.

Comments are due Jan. 27, 2025.

For more details regarding the proposed ASU, see the Crowe article "FASB Proposes Internal-Use Software Accounting Changes."

Share-based consideration payable to a customer

On Sept. 30, 2024, the FASB issued a proposed ASU, "Compensation – Stock Compensation (Topic 718) and Revenue From Contracts With Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer," to address diversity in practice in the accounting for share-based consideration payable to a customer. The proposed ASU would:

- Revise the Master Glossary definition of the term "performance condition" for share-based consideration payable to a customer to incorporate certain conditions, including vesting conditions, based on the volume, monetary amount, or timing of a customer's purchases of goods or services from the grantor. The revised definition also would incorporate certain performance targets based on the volume of purchases made by other parties that purchase the grantor's goods or services from the grantor's customers.
- Eliminate the policy election permitting a grantor to account for forfeitures as they occur for customer awards containing service conditions and therefore require the grantor to estimate the number of forfeitures expected to occur, consistent with the accounting for customer awards containing performance conditions.
- Clarify that a grantor should not apply the guidance under Topic 606 on constraining estimates of variable consideration to share-based consideration payable to a customer when using the Topic 718 approach.

The proposed amendments would result in revenue recognition no longer being delayed when an entity grants an award that is not expected to vest.

The proposed ASU does not yet include an effective date and would be applied on a retrospective or modified retrospective basis.

Comments were due Nov. 14, 2024.

Hedge accounting improvements

On Sept. 25, 2024, the FASB issued a proposed ASU, "Derivatives and Hedging (Topic 815): Hedge Accounting Improvements," to more closely align hedge accounting with the economics of an entity's risk management practices by addressing the following five issues:

- **Similar risk assessment for cash flow hedges:** Expand the hedged risks permitted to be aggregated in a group of individual forecasted transactions in a cash flow hedge by changing the "shared risk exposure" requirement to having "similar risk exposure."
- **Hedging forecasted interest payment on choose-your-rate debt instruments:** Facilitate applying the change in hedged risk guidance to cash flow hedges under "choose-your-rate" debt instruments by using the contractual terms of the debt agreement to determine the alternative interest rate indexes and interest rate tenors without needing to discontinue hedge accounting. The proposed ASU would also allow entities to use simplified assumptions when assessing certain factors.
- **Cash flow hedges of nonfinancial forecasted transactions:** Expand hedge accounting for forecasted purchases and sales of nonfinancial assets by applying the clearly-and-closely-related criteria.
- **Net written options as hedging instruments:** Permit a compound derivative comprised of a written option and a nonoption derivative (for example, an interest rate swap with a written cap or floor) to qualify as a cash flow hedge instrument by adjusting certain eligibility criteria.

- **Foreign-currency-denominated debt instrument as hedging instrument and hedged item (dual hedge):** Eliminate the recognition and presentation mismatch related to a dual-hedge strategy by requiring an entity to exclude the debt instrument's fair value hedge basis adjustment from the net investment hedge effectiveness assessment.

The proposed ASU does not yet include an effective date and would be applied prospectively for existing hedging relationships as of the date of adoption with early adoption permitted. Under the proposed ASU, entities may be either required or permitted to modify certain terms of existing hedging relationships, without dedesignating the hedge.

Comments were due Nov. 25, 2024.

Derivative scope refinements

On July 23, 2024, the FASB issued a proposed ASU, "Derivatives and Hedging (Topic 815) and Revenue From Contracts With Customers (Topic 606) – Derivatives Scope Refinements and Scope Clarification for a Share-Based Payment From a Customer in a Revenue Contract," to address 1) the application of derivative accounting to certain contracts and 2) the diversity in accounting for a share-based payment from a customer that is consideration for the transfer of goods or services.

Under the proposed ASU, a scope exception would be provided to exclude from derivative accounting certain contracts with underlyings that are based on the operations or activities specific to one of the parties to the contract, but would exclude from the scope exception contracts with a single underlying based on either 1) a market rate, market price, or market index, or 2) the price of performance of a financial asset or financial liability of one of the parties to the contract. The proposed amendments also provide certain modifications to the predominant characteristics assessment.

The proposed ASU also would clarify that an entity should apply the guidance under Topic 606 to a contract with a share-based payment from a customer that is consideration for the transfer of goods or services. The proposed ASU would result in the share-based payment recognized as an asset measured at fair value at contract inception when the right to receive or retain the share-based payment is no longer contingent on the satisfaction of a performance obligation. The proposal would also clarify that the guidance under Topic 815 and Topic 321 should not be applied unless and until the share-based payment is recognized as an asset under Topic 606.

The proposed ASU does not yet include an effective date and would be applied as follows:

- Derivative scope exception: Applied prospectively to contracts entered into after the date of adoption. Entities would have the option to apply the guidance to contracts that exist as of the beginning of the fiscal year of adoption through a cumulative-effect adjustment to opening retained earnings as of the beginning of the fiscal year of adoption. Early adoption would be permitted.
- Contracts with share-based payment from a customer that is consideration for the transfer of goods or services: Applied through a cumulative-effect adjustment to opening retained earnings as of the beginning of the fiscal year of adoption to revenue contracts that exist as of the beginning of the fiscal year of adoption. Early adoption would be permitted.

Comments were due Oct. 21, 2024.

For additional information, see the Crowe article "FASB Proposes Derivative Scope Refinements."

Credit losses – purchased financial assets

The FASB on June 27, 2023, issued a proposed ASU, "Financial Instruments – Credit Losses (Topic 326) – Purchased Financial Assets," that would change how entities initially record an allowance for credit losses (ACL) on PFAs subject to Topic 326. Under the proposal, the ACL for PFAs that are considered "seasoned" would be established by adjusting the initial carrying amount of the PFAs, resulting in the allocation of the credit component of the purchase price directly to the ACL. For all other PFAs, the ACL would be established through a charge to earnings. A PFA would be considered seasoned when either of the following two conditions is met: 1) the PFA is part of a business combination accounted for under Topic 805, "Business Combinations," or 2) the PFA was acquired more than 90 days after origination and the entity did not have involvement with the origination of the PFA.

Under this proposal, entities would adopt using a modified retrospective transition to the beginning of the first reporting period in which an entity adopted ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." Comments were due Aug. 28, 2023.

More details on the proposed amendments can be found in the Crowe article "FASB Proposes Acquired Financial Asset Reporting Changes."

Throughout 2024, the FASB continued to deliberate on this project at multiple board meetings. Key decisions made include the following:

- Affirming the scope to require all financial assets, with certain exceptions, to be accounted for using the gross-up approach when acquired through business combinations and asset acquisitions
- Including HTM debt securities in the scope of the gross-up approach and affirming that all purchased HTM debt securities are deemed seasoned
- Concluding HTM beneficial interests would be subject to the gross-up approach only when accounted for under Subtopic 326-20, "Financial Instruments – Credit Losses – Measured at Amortized Cost," and that those within the scope of Subtopic 325-40, "Investments – Other – Beneficial Interests in Securitized Financial Assets," should follow the guidance in that subtopic
- Recognizing off balance sheet credit exposures under the gross-up approach by recognizing the credit loss in other comprehensive income on the date that an entity either 1) enters into a forward commitment to purchase financial assets accounted for under the gross-up approach or 2) purchases an unfunded commitment that would have been accounted for under the gross-up approach if it had been funded at the purchase date
- Excluding contract assets, lease receivables, and trade accounts receivables from the scope of the gross-up approach

Additionally, the board directed the staff to research credit cards, other consumer revolvers, and commercial revolvers to determine which assets should be included in a scope exception, and to perform additional research on credit-impaired AFS debt securities.

Credit losses – Topic 606 receivables

On Dec. 3, 2024, the FASB issued a proposed ASU, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities," to address feedback received from stakeholders on the costly and complex challenges of applying the credit losses guidance to current accounts receivable and current contract assets arising from revenue transactions for private companies and not-for-profit entities. Stakeholders noted that the ability to consider collections after the balance sheet date in estimating expected credit losses would significantly reduce complexity for preparers while still providing investors and other financial statement users with decision-useful information. To address this feedback, the proposal provides private companies and certain not-for-profit entities a practical expedient and an accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606.

Comments are due Jan. 17, 2025.

In the FASB pipeline: Presentation and disclosure

Interim disclosures

On Nov. 13, 2024, the FASB issued a proposed ASU, "Interim Reporting (Topic 270): Narrow-Scope Improvements," aimed at clarifying when guidance is applicable and what disclosures are required in interim reporting periods. The intention of the proposed ASU is not to change the required interim disclosures.

The proposed ASU would provide clarity by:

- Explaining that the guidance in Topic 270 applies to all entities that provide interim financial statements and notes in accordance with GAAP
- Providing form and content guidance with respect to interim financial statements and notes in accordance with GAAP, including references to relevant SEC regulations related to interim financial statements
- Including a disclosure principle requiring entities to disclose events and changes that occur after the end of the most recent fiscal year that have a material impact on the entity
- Providing within Topic 270 a comprehensive list of interim disclosures that are required in interim financial statements and notes in accordance with GAAP

Comments are due March 31, 2025.

From the federal financial institution regulators

OCC's Bank Accounting Advisory Series

On Aug. 15, 2024, the Office of the Comptroller of the Currency (OCC) released an update to the Bank Accounting Advisory Series (BAAS). The BAAS covers a variety of topics and promotes consistent application of accounting standards among national banks and federal savings associations. The BAAS is updated annually to address accounting questions, newly issued and updated accounting standards, and emerging issues observed through March 31, 2024. This edition of the BAAS does not include new questions or substantive updates to existing questions; however, the OCC has made edits to improve general clarity, including revision, relocation, and renumbering of certain existing entries. The OCC noted that these edits do not alter prior conclusions or interpretations from prior editions.

The BAAS does not represent official rules or regulations of the OCC. Rather, it represents the OCC's Office of the Chief Accountant's interpretations of GAAP and regulatory guidance based on the facts and circumstances presented. While the BAAS is published by the OCC, the information in the BAAS is relevant to all financial institutions.

Key abbreviations and acronyms

ACL	allowance for credit losses
AFS	available for sale
AICPA	American Institute of Certified Public Accountants
AOCI	accumulated other comprehensive income
APIC	additional paid-in capital
ASC	Accounting Standards Codification (issued by the FASB)
ASU	Accounting Standards Update
BAAS	Bank Accounting Advisory Series (issued by the OCC)
BC	Basis for Conclusions
BOLI	bank-owned life insurance
CDO	collateralized debt obligation
CECL	current expected credit loss
CFE	collateralized financing entity
CFPB	Consumer Financial Protection Bureau
CLO	collateralized loan obligation
COLI	corporate-owned life insurance
CRI	customer-related intangible asset
DTA	deferred-tax asset
EITF	Emerging Issues Task Force (a standing FASB task force)
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corp.
FDICIA	*Federal Deposit Insurance Corporation Improvement Act of 1991*
Fed	Board of Governors of the Federal Reserve System
FFIEC	Federal Financial Institutions Examination Council (includes the CFPB, FDIC, Fed, NCUA, and OCC)
FHA	Federal Housing Administration
FV/NI	fair value recognized in net income
GAAP	generally accepted accounting principles
HFI	held for investment
HFS	held for sale
HTM	held to maturity
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard (issued by the IASB)
MBS	mortgage-backed security

NAV	net asset value
NCA	noncompetition agreement
NCUA	National Credit Union Administration
OCC	Office of the Comptroller of the Currency
OCI	other comprehensive income
OREO	other real estate owned
OTC	over-the-counter (as in OTC market)
OTTI	other-than-temporary impairment
PBE	public business entity
PCAOB	Public Company Accounting Oversight Board
PCC	Private Company Council (which recommends alternatives for private companies to the FASB)
PCD	purchased credit deteriorated
PCI	purchased credit impaired
ROU	right of use
SAB	Staff Accounting Bulletin (issued by the SEC)
SEC	U.S. Securities and Exchange Commission
SIFMA	Securities Industry and Financial Markets Association
SPPI	solely payments of principal and interest
TDR	troubled debt restructuring
TRG	Transition Resource Group (A joint TRG has been formed for revenue recognition by the FASB and IASB, and a TRG has been formed for credit losses by the FASB.)
VA	Department of Veterans Affairs
VIE	variable interest entity

Learn more

Sydney K. Garmong

Partner

+1 202 779 9911

sydney.garmong@crowe.com

AUDIT2500-012I

Appendix A: ASUs for financial institutions[1] – effective dates for public business entities (PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06) Clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments reduce number of accounting models for convertible debt instruments and convertible preferred stock. The cash conversion and beneficial conversion feature models were removed. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Improves disclosure requirements for convertible instruments and earnings-per-share guidance. Revises derivatives scope exception guidance to reduce form-over-substance-based accounting conclusions driven by remote contingent events.	**For SEC filers, excluding smaller reporting companies, March 31, 2022** **For all other PBEs, including smaller reporting companies, March 31, 2024**	**Permitted as of the fiscal years beginning after Dec. 15, 2020. An entity must adopt the guidance as of the beginning of the fiscal year and not in a subsequent interim period.**
Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03) Clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. Clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments include various disclosure requirements.	**March 31, 2024**	**Permitted, including in an interim period**
Common Control Lease Arrangements (ASU 2023-01) Revises the accounting for leasehold improvements. Leasehold improvements associated with a lease between entities under common control are to be amortized over the useful life of those improvements to the common control group as long as the lessee controls the use of the underlying asset through a lease. If the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the common control group, the amortization period is determined under existing guidance when a lease is not a lease between entities under common control. If, and when, the lessee no longer controls the underlying asset, leasehold improvements associated with common control leases must be accounted for as a transfer between entities under common control through an adjustment to equity.	**March 31, 2024**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**

[1] These standards have the highest likelihood of being applicable for financial services entities. There could be other standards that might be applicable for financial services entities engaging in nontraditional activities.

Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (ASU 2023-02) Expands the option to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. For tax equity investments not accounted for under the proportional amortization method, the amendments require entities to apply ASC Topic 323, "Equity Method or Joint Ventures," or ASC Topic 321, "Investments – Equity Securities." The amendments require specific disclosures that must be applied to all investments that generate income tax credits and income tax benefits from a tax credit program for which an entity has elected to apply the proportional amortization method, including investments within the tax credit program that do not otherwise qualify for the proportional amortization method.	**March 31, 2024**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Segment Reporting Disclosures (ASU 2023-07) Requires public entities to disclose significant expense categories and amounts for each reportable segment, an amount for and description of the composition of "other segment items," the title and position of the entity's CODM and explanation of how the CODM uses the reported measures of profit or loss to assess segment performance, and – on an interim basis – certain segment-related disclosures that previously were required only on an annual basis. Clarifies that entities with a single reportable segment are subject to both new and existing segment reporting requirements and that an entity is permitted to disclose multiple measures of segment profit or loss, provided that certain criteria are met.	**Dec. 31, 2024**	**Permitted**
Joint Venture Formations (ASU 2023-05) Amends the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. The amendments require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value with exceptions to the fair value measurement that are consistent with the business combination guidance.	**March 31, 2025**	**Permitted, including in an interim period**

Crypto Assets (ASU 2023-08) Requires holdings of certain crypto assets to be measured at fair value at each reporting period with changes in fair value recorded through earnings. The amendments apply to assets meeting certain defined characteristics and require crypto assets to be presented separately from other intangible assets on the balance sheet with changes in fair value presented separately from other changes in intangible assets on the income statement. The amendments also require extensive disclosure about crypto assets measured at fair value on an interim and annual basis, an annual rollforward of an entity's crypto holdings, and specifies certain statement of cash flows presentation for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash.	**March 31, 2025**	**Permitted, including in an interim period**
Amendments to Remove References to the Concepts Statements (ASU 2024-02) Removes references to Concept Statements, a nonauthoritative source of literature, in the guidance. The amendments simplify the Accounting Standards Codification (ASC) and distinguish between authoritative and nonauthoritative literature by addressing 16 topical issues.	**March 31, 2025**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Improvements to Income Tax Disclosures (ASU 2023-09) Enhances transparency into income tax disclosures. The amendments require annual disclosure of certain information relating to the rate reconciliation, income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. The amendments also eliminate certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures.	**Dec. 31, 2025**	**Not applicable**
Induced Conversions of Convertible Debt instruments (ASU 2024-04) Clarifies whether certain settlements of convertible debt instruments should be accounted for as induced conversions if certain criteria are met. The amendments provide that to account for such a settlement transaction as an induced conversion, an entity would assess the qualifying criteria as of the date the inducement offer is accepted by the holder. If the convertible debt instrument had been modified without being substantially different within one year leading up to the offer acceptance date, the entity would compare the terms provided in the inducement offer with the terms that existed one year before the offer acceptance date.	**March 31, 2026**	**Permitted**

Disaggregation for Income Statement Expense Disclosures (ASU 2024-03) Requires public companies to provide detailed disclosure in interim and annual periods of specified categories underlying certain expense captions.	**Dec. 31, 2027**	**Permitted**
Disclosure Improvements (ASU 2023-06) Amends disclosure or presentation requirements and provides clarifications or technical corrections to a variety of topics within the ASC pursuant to matters identified by the Securities and Exchange Commission in its August 2018 Release No. 33-10532, "Disclosure Update and Simplification."	**Effective on the date that the SEC eliminates the corresponding disclosure requirements from Regulation S-X and Regulation S-K**	**Not permitted**

Appendix B: ASUs for financial institutions[2] – effective dates for nonpublic business entities (non-PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06) Clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments reduce number of accounting models for convertible debt instruments and convertible preferred stock. The cash conversion and beneficial conversion feature models were removed. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Improves disclosure requirements for convertible instruments and earnings-per-share guidance. Revises derivatives scope exception guidance to reduce form-over-substance-based accounting conclusions driven by remote contingent events.	**Dec. 31, 2024**	**Permitted as of the fiscal years beginning after Dec. 15, 2020, including interim periods within**
Customer Contracts Acquired in a Business Combination (ASU 2021-08) Requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 on revenue from contracts with customers. The amendments apply to contract assets or contract liabilities in contracts with customers and other contracts to which the provisions of Topic 606 apply. The amendments also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contacts in a business combination.	**Dec. 31, 2024**	**Permitted, including in an interim period**
Portfolio Layer Method of Hedge Accounting (ASU 2022-01) **Expands the scope of assets eligible for portfolio layer method hedging to include all financial assets. The amendments remove the requirement that all assets in the closed portfolio have a contractual maturity date on or after the earliest-ending hedge period. The amendments require an entity to maintain fair value hedge basis adjustments at the closed portfolio level for a currently designated hedge and prohibits an entity from considering portfolio layer method fair value hedge basis adjustments on a currently designated hedge in its determination of credit losses. When a breach occurs (that is, the aggregate amount of the hedged layers currently exceeds the amount of the closed portfolio), an entity is required to present the fair value hedge basis adjustments with a breach in interest income and disclose the amount along with the circumstances that led to the breach.**	**Dec. 31, 2024**	**Permitted, including in an interim period when amendments in ASU 2017-12 have been adopted**

[2] These standards have the highest likelihood of being applicable for financial services entities. There could be other standards that might be applicable for financial services entities engaging in nontraditional activities.

Common Control Lease Arrangements (ASU 2023-01) Provides a practical expedient to private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. The amendments also revise the accounting for leasehold improvements for all entities (that is, public business entities, private companies, not-for-profit entities, and employee benefit plans). Leasehold improvements associated with a lease between entities under common control are to be amortized over the useful life of those improvements to the common control group as long as the lessee controls the use of the underlying asset through a lease. If the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the common control group, the amortization period is determined under existing guidance when a lease is not a lease between entities under common control. If, and when, the lessee no longer controls the underlying asset, leasehold improvements associated with common control leases must be accounted for as a transfer between entities under common control through an adjustment to equity (or net assets for not-for-profit entities).	**Dec. 31, 2024**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03) Clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. Clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments include various disclosure requirements.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (ASU 2023-02) Expands the option to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. For tax equity investments not accounted for under the proportional amortization method, the amendments require entities to apply ASC Topic 323, "Equity Method or Joint Ventures," or ASC Topic 321, "Investments – Equity Securities." The amendments require specific disclosures that must be applied to all investments that generate income tax credits and income tax benefits from a tax credit program for which an entity has elected to apply the proportional amortization method, including investments within the tax credit program that do not otherwise qualify for the proportional amortization method.	**Dec. 31, 2025**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**

Joint Venture Formations (ASU 2023-05) Amends the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. The amendments require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value with exceptions to the fair value measurement that are consistent with the business combination guidance.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Crypto Assets (ASU 2023-08) Requires holdings of certain crypto assets to be measured at fair value at each reporting period with changes in fair value recorded through earnings. The amendments apply to assets meeting certain defined characteristics and require crypto assets to be presented separately from other intangible assets on the balance sheet with changes in fair value presented separately from other changes in intangible assets on the income statement. The amendments also require extensive disclosure about crypto assets measured at fair value, an annual rollforward of an entity's crypto holdings, and specifies certain statement of cash flows presentation for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Improvements to Income Tax Disclosures (ASU 2023-09) Enhances transparency into an entity's income tax disclosures. The amendments require annual disclosure of qualitative information about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory and effective tax rate. The amendments also require annual disclosure of income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. The amendments also eliminate certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures.	**Dec. 31, 2026**	**Permitted**
Amendments to Remove References to the Concepts Statements (ASU 2024-02) Removes references to Concept Statements, a nonauthoritative source of literature, in the guidance. The amendments simplify the ASC and distinguish between authoritative and nonauthoritative literature by addressing 16 topical issues.	**Dec. 31, 2026**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**

Induced Conversions of Convertible Debt Instruments (ASU 2024-04) Clarifies whether certain settlements of convertible debt instruments should be accounted for as induced conversions if certain criteria are met. The amendments provide that to account for such a settlement transaction as an induced conversion, an entity would assess the qualifying criteria as of the date the inducement offer is accepted by the holder. If the convertible debt instrument had been modified without being substantially different within one year leading up to the offer acceptance date, the entity would compare the terms provided in the inducement offer with the terms that existed one year before the offer acceptance date.	**Dec. 31, 2026**	**Permitted**
Disclosure Improvements (ASU 2023-06) Amends disclosure or presentation requirements and provides clarifications or technical corrections to a variety of topics within the ASC pursuant to matters identified by the Securities and Exchange Commission in its August 2018 Release No. 33-10532, “Disclosure Update and Simplification.”	**Two years after removal of the related disclosure from Regulation S-X or Regulation S-K becomes effective**	**Not permitted**